

Service Date: December 23, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)	
Of RED GATE INC. To Increase Rates)	UTILITY DIVISION
And Charges For Water Service In)	DOCKET NO. 86.7.33
Its Woods Ray, Montana Service Area.)	ORDER NO. 5241

On July 7, 1986, Red Gate Inc. (Applicant) filed an application with the Montana Public Service Commission for an order authorizing the Applicant to increase its water rates to provide additional revenue to defray increased costs of operation, to maintain, repair and improve the water utility facilities.

Having considered the application and the documentation filed by the Applicant in support of its application and deeming itself fully advised in the premises, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. A Notice of Opportunity for Public Hearing was published in the August 27, 1986, edition of the Daily Interlake, Kalispell, Montana and the August 27, 1986, edition of the Bigfork Eagle. The notice gave interested parties until September 21, 1986, to request a public hearing or submit protests regarding the Application.
2. Three consumers connected to the Red Gate water system filed protests with the Commission objecting to the Applicant's proposed increase in water rates. The protests received by the Commission, in general, objected to the Applicant's proposed increase in the minimum annual rate provision of the tariff. None of the consumers filing protests specifically requested that the Commission conduct a public hearing on the matter.
3. On October 10, 1986, the Commission staff sent a letter to each of the consumers filing protests, requesting that they notify the Commission of their wishes regarding the

scheduling of a public hearing. Two of the three consumers protesting the application responded to the staff's letter. The two consumers in their response to the staff's letter indicated that they would be unable to participate in a public hearing if one were scheduled and that scheduling a public hearing for their benefit would not be necessary.

4. Since none of the consumers protesting the application specifically requested a public hearing on the matter the Commission determined that it would be appropriate to issue a default order in this Docket. Given the fact that all of the consumers protesting the application specifically objected to the Applicant's proposed increase in the minimum annual rate the Commission will address that issue in this order.

5. The Commission originally authorized the implementation of the minimum annual rate in its Docket No. 6774, Order No. 4638, dated April 21, 1980. The Commission in its Docket No. 83.4.22, Order No. 5023, dated October 26, 1983, reviewed the advisability of continuing the assessment of a minimum annual rate and found it to be reasonable. The Commission is of the opinion that year-long customers should not carry the revenue burden associated with maintaining service availability to recreational dwellings or seasonal consumers.

Currently Red Gate provides water service to a total of 41 residential connections, of this number 13 are assessed the minimum annual rate. Under the Applicant's proposed rate structure year-long consumers will pay \$180 annually for water service, minimum annual rate consumers will pay \$85. In the Commission's view it is reasonable for a small utility that has a substantial number of seasonal consumers in its customer base to assess a minimum charge against seasonal consumers in an effort to reflect the fixed costs of maintaining service availability to seasonal connections. If the Commission were to disallow the assessment of a minimum annual rate, year-long customers would have to pay increased rates and be burdened with costs that are associated with the provision of service to seasonal consumers.

6. Based on the preceding, the Commission finds the Applicant's proposal to increase the minimum annual rate to be reasonable.

7. The Applicant alleges it needs additional annual revenues to defray increased costs of operation, to maintain and repair the existing water utility facilities.

8. The Applicant anticipates that the proposed rates will increase annual revenues by approximately \$2,773.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding. Title 69, Chapter 3, MCA.
2. The Commission afforded all interested parties notice and opportunity to participate in this proceeding. Section 69-3-303, MCA.
3. The rates approved herein are reasonable and just. Title 69, Chapter 3, MCA.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS
THAT:

1. The rates as filed by the Applicant, in its application, are authorized.
2. The rates approved herein are effective for services rendered on and after December 22, 1986.

DONE IN OPEN SESSION in Helena, Montana on this 22 day of December, 1986 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Acting Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.